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RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC
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TAGS: [PGOV](#) [KMCA](#) [KCOR](#) [ECON](#) [KJUS](#) [ID](#)
SUBJECT: INDONESIA - STOLEN ASSET RECOVERY INITIATIVE TO FOCUS ON
CAPACITY BUILDING

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11. (SBU) Summary: The UN-World Bank Stolen Asset Recovery (StAR) initiative will make recommendations for a technical assistance program in Indonesia. Indonesia has limited technical capacity and uneven political will to recover assets internationally. Managing expectations of StAR is critical as many Indonesians equate this initiative with recovering Suharto's ill-gotten assets, which the program is not designed to do directly. End Summary.

StAR Rising?

12. (SBU) President Yudhoyono and World Bank President Zoellick signed a joint communique in September regarding Indonesia's participation in the UN-World Bank StAR initiative. A UN-World Bank assessment team is visiting Jakarta November 12-19 to prepare StAR's first country strategy, with anticipated release in January. The assessment team will focus their recommendations on a one-to-two-year technical assistance program to build the Indonesian government's capacity to recover stolen assets which have crossed borders. Indonesian media reports have inaccurately linked StAR reporting to recovering Suharto's ill-gotten assets, getting StAR off on the wrong foot with public communication. The assessment team understands the political considerations related to going after Suharto's assets. Indeed, it does not seek to identify any specific individuals - including Suharto - as targets.

Limited Capacity, Limited Political Will

13. (SBU) The assessment team has identified the limited technical capacity in Indonesia for recovering stolen assets, both nationally and internationally. Corruption Eradication Commission (KPK)

Commissioner Amien Sunaryadi told the assessment team that the KPK will set up an office devoted to asset recovery. The Financial Intelligence Unit (PPATK) and Indonesian National Police (INP) have also established programs, but little expertise or capacity is available for asset recovery.

14. (SBU) The assessment team is also reviewing the role of legislation in the asset recovery drive. Some StAR team members believe that three laws in the Parliament would boost Indonesian government capacity to recover assets:

- amendments to the anti-money laundering law
- a civil asset forfeiture law
- ASEAN regional mutual legal assistance treaty

Passing these laws would be a strong sign of political will to combat corruption. Other team members, however, question the importance of passing more laws. A proper legal structure is a necessary, but not sufficient condition for improving asset recovery capacity. Given Parliament's own lack of transparency on wealth disclosure, external efforts to influence Parliament on asset recovery and other anti-corruption reform efforts is sensitive and often difficult.

StAR Provides Additional International Resources -----

15. (SBU) The StAR initiative could be a positive contribution from international donors for Indonesian anti-corruption reform. StAR's focus relates directly to the key theme of asset recovery of the Second Conference of State Parties for the UN Convention Against Corruption, which Indonesia will host in January 2008. StAR is intended to encourage developed countries with major financial centers to provide support in asset recovery. Many Indonesians view StAR as an opportunity to leverage more cooperation from Singapore, widely viewed as the haven for corrupt Indonesians' ill-gotten

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gains. However, the StAR team does not seek to target specific countries. It acknowledges that seriously tackling Singapore-Indonesia mutual legal assistance and asset recovery challenges are beyond its remit.

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